

**RENO COUNTY EXTENSION COUNCIL  
SOUTH HUTCHINSON, KS  
FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDING DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR DECEMBER 31, 2013)**

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**RENO COUNTY EXTENSION COUNCIL**

**December 31, 2014  
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### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Reno County Extension Council, as of and for the year ended December 31, 2014 and the related notes to the financial statement.

#### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 2 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, the financial statement is prepared by the Reno County Extension Council to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Reno County Extension Council as December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

#### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Reno County Extension Council as December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 2.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

The 2013 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures - actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2013 basic financial statement upon which we rendered an unmodified opinion dated October 6, 2015. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 2.



Daniel L. Drake, CPA  
Daniel L. Drake, CPA, P.A.

December 29, 2015

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**

**Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash- Regulatory Basis**  
**For the Year Ended December 31, 2014**

Funds Governmental Type Funds:	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 183,442	\$ 420,587	\$ 431,710	\$ 172,319	\$ 7,456	\$ 179,775
<b>Total Reporting Entity</b>	<u>\$ 183,442</u>	<u>\$ 420,587</u>	<u>\$ 431,710</u>	<u>\$ 172,319</u>	<u>\$ 7,456</u>	<u>\$ 179,775</u>
<b>Composition of Cash:</b>						
Checking Accounts						\$ 27,218
Savings						\$ 152,557
<b>Total Composition of Cash</b>						<u>\$ 179,775</u>

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements.

RENO COUNTY EXTENSION COUNCIL  
South Hutchinson, Kansas  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014

**Note 1. Municipal Financial Reporting Entity**

Reno County Extension Council (the Council) provides services in such areas as agriculture, home economics, and 4-H clubs, to all persons in Reno County. The Council is an elected nine-member executive board. Reno County annually provides significant operating subsidies to the Council.

**Note 2. Summary of Significant Accounting Policies**

**Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America**

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Council to use the regulatory basis of accounting.

**Regulatory Basis Fund Types**

The following categories of funds comprise the financial activities of the Council for the year ended December 31, 2014:

General Fund - The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Budgetary Information**

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. The Council is not a tax-levying authority and is not required to publish its annual budget or hold public budget hearings under Kansas statutes. K.S.A. 2-610 does require that the Council submit the following to the county commission, in the office in the of the county clerk by July 15:

1. List of the current council and board members.
2. Certification of election of officers.
3. Certification by the director of K-State Research and Extension that the council is properly functioning and entitled to receive the appropriations provided by law.
4. A proposed budget prepared in cooperation with the authorized representative of the director of Kansas State Research and Extension.

**Agreement with Kansas State University**

Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science of the Reno County Extension Council, the University pays for a portion of extension agents' salaries, payroll taxes, and extension agent benefits. The University bills the remainder to the Council on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes. The understanding also requires the Council to prepare and submit monthly financial statements to the University for review.

**Note 3. Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies that would further limit interest rate risk.

RENO COUNTY EXTENSION COUNCIL  
South Hutchinson, Kansas  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014

**Note 3. Deposits and Investments (continued)**

K.S.A. 12-1675 limits the Council's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Council has no investment policy that would further limit its investment choices. The Council had no investments in 2014.

Concentration of Credit Risk: State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State statutes require the Council's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Council has not designated a "peak period". All deposits were legally secured at December 31, 2014.

Deposits: At December 31, 2014, the Council's carrying amount of deposits was \$172,319 and the bank balance was \$205,052. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**Note 4. Defined Benefit Pension Plan**

Plan Description: The Council participates in the Kansas Public Employees Retirement System (KPERS). KPERS is part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. . KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 and K.S.A. 74-49210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

Net Pension Liability: The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Council's proportionate share of the net pension liability is \$34,438 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described in the first paragraph above.

**Note 5. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the Council allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Council is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Council makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage.

**Note 6. Subsequent Events**

Management evaluated the effects of subsequent events on the financial statements through December 29, 2015 the date the financial statements were available to be issued.

RENO COUNTY EXTENSION COUNCIL  
South Hutchinson, Kansas  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014

**Note 7. Compensated Absences**

The Council's policy regarding annual leave allows employees to accumulated leave time based on the years of continuous service as follows:

<b><u>Years of Continuous Service</u></b>	<b><u>Leave Days Accrued</u></b>	<b><u>Maximum Accrual</u></b>
0 to 5 years	1.17 days/mo	31.25 days
6 years	1.25 days/mo	31.25 days
7 years	1.33 days/mo	31.25 days
8 years	1.42 days/mo	31.25 days
9 years	1.50 days/mo	31.25 days
10 years	1.58 days/mo	34.37 days
11-14 years	1.67 days/mo	34.37 days
15+ years	1.83 days/mo	34.37 days

Annual leave is earned by month. Upon termination of employment, an employee is entitled to be paid for unused accrued leave time.



**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**Summary of Expenditures - Actual and Budget - Regulatory Basis**  
**For the Year Ended December 31, 2014**

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current year</u>	<u>Variance-Over (Under)</u>
General Fund	\$ 487,454	\$ -	\$ 487,454	\$ 431,710	\$ (55,744)

See Independent Auditor's Report

## RENO COUNTY EXTENSION COUNCIL

South Hutchinson, Kansas

General Fund

## Schedule of Receipts and Expenditures - Actual and Budget - Regulatory Basis

For the Year Ended December 31, 2014

		<u>2014</u>		
	<u>2013</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>Over (Under)</u>
<b>Cash Receipts</b>				
Taxes and Shared Revenue	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Kansas State University	74,568	73,314	74,568	(1,254)
Educational Services				
Reimbursements	15,296	11,895	40,000	(28,105)
Interest & Other	<u>3,582</u>	<u>5,378</u>		<u>5,378</u>
<b>Total Receipts</b>	<u>423,446</u>	<u>420,587</u>	<u>\$ 444,568</u>	<u>\$ (23,981)</u>
<b>Expenditures</b>				
Printing and Audit	5,438	1,495	\$ 4,000	\$ (2,505)
Telephone	5,239	5,526	4,200	1,326
Rent	1,190	65	-	65
Supplies and Postage	22,814	19,899	14,000	5,899
Equipment and Automobile	8,136	1,241	5,000	(3,759)
Miscellaneous	13,134	9,409	7,000	2,409
Travel	10,162	9,224	6,000	3,224
Subsistence	2,403	2,354	4,000	(1,646)
Salaries	288,646	294,512	293,254	1,258
Employer Contribution	67,212	67,731	70,000	(2,269)
Educational Services	11,007	11,754	40,000	(28,246)
Capital Outlay	<u>21,567</u>	<u>8,500</u>	<u>40,000</u>	<u>(31,500)</u>
<b>Total Expenditures</b>	<u>456,948</u>	<u>431,710</u>	<u>\$ 487,454</u>	<u>\$ (55,744)</u>
<b>Receipts Over (Under) Expenditures</b>	(33,502)	(11,123)		
<b>Unencumbered Cash, Beginning</b>	<u>216,944</u>	<u>183,442</u>		
<b>Unencumbered Cash, Ending</b>	<u>\$ 183,442</u>	<u>\$ 172,319</u>		

See Independent Auditor's Report